

***Delaware Health Resources Board
Beebe Healthcare Specialty Surgical Hospital Review Committee Meeting Minutes
Friday, October 19, 2018 1:00 PM
Department of Health and Social Services Herman Holloway Campus
1901 North Dupont Highway, New Castle, DE 19720
The Chapel Building***

Review Committee Members Present: Julia O’Hanlon, Carolyn Morris and Edwin Barlow

Staff Present:
Latoya Wright

Call to Order and Welcome

The meeting of the Review Committee for Beebe Healthcare Freestanding Emergency Department was called to order at 1:07 p.m.

Review of Beebe Healthcare Freestanding Emergency Department Application

It was stated that on July 9, 2018, Beebe submitted a Certificate of Public Review (CPR) application to construct a Specialty Surgical Hospital in Rehoboth Beach, DE. The capital expenditure is \$152 million. This application will have a 90-day review period. The Board will need to vote on this application at the November Health Resources Board meeting.

Project Summary and Background Information

The proposed Specialty Surgical Hospital will be built on 20 acres of land owned by Beebe Healthcare on John J. Williams Highway, adjacent to its Rehoboth Health Campus and other health care services. Building on this site is part of Beebe’s long term strategy of creating access points to health care services throughout its large geographic service area, making care more convenient, and responding to the population growth that has and is occurring to the west and south of the Medical Center in Lewes. The land will require rezoning by Sussex County into its newly-approved category for healthcare facilities. The Specialty Surgical Hospital will include all private patient rooms, a requirement for new hospital construction, and a feature that reduces risk of infection, protects privacy, improves patients’ experience of their care, and allows for more efficient use of rooms enabling higher occupancy rates. One of the goals of this project is to increase the total number of private rooms available to inpatients served by Beebe Healthcare.

The facility will be fitted out with 12 short stay, private inpatient rooms. Additional unfinished space on the same floor will be available to accommodate 12 additional private inpatient rooms when population growth requires that expansion. Supporting those patients will be four operating rooms, with unfinished space available to add two additional operating rooms as population growth requires it. Outpatients will have seven recover bays, and all patients will be served by 15 pre-operative preparation bays. As required by hospital code, and needed to support the surgical program and short-stay inpatient population; diagnostic imaging, laboratory, pharmacy, and nutrition services are designed into the new facility. A small emergency room will be included as required by hospital code. A helicopter landing pad will be available for emergency transport of patients to other regional centers.

The Review Committee reviewed the CPR application and the responses to the following seven criteria.

Conformity of Project with Review Criteria

Criterion I: The relationship of the proposal to the Health Resources Management Plan.

Beebe Healthcare is a not-for-profit; community-based health system founded 102 years ago. Their charitable mission is to encourage healthy living, prevent illness, and restore optimal health with the people residing, working, or visiting the communities they serve. This mission guides Beebe towards providing care for all in their community, regardless of their ability to pay. Beebe's charity policy formalizes this practice. Beebe is a provider of care to Medicare and Medicaid beneficiaries. The Surgical Specialty Hospital as part of Beebe Healthcare, would operate under this same mission. Beebe is a Medicare and Medicaid participant, and maintain a Charity Care Policy. The health system is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO).

Beebe Healthcare has a long history as a certified participant provider for both Medicare and Medicaid beneficiaries. Of Beebe Healthcare's total annual expenditures in fiscal 2017, more than 75% was for the provision of care to Medicare and Medicaid beneficiaries. It is hospital policy that no one will be denied medically-necessary hospital services based upon the patient's ability to pay for those services. Patients with income up to 400% of the Federal Poverty Level are eligible for charity care or financial assistance. Public notice of their charity care and financial aid are visible within the hospital and ambulatory care settings. Beebe provided Charity Care totaling \$12,854,008 in fiscal 2017 which constitutes 4.1% of their total patient care expenditures.

Beebe Healthcare has been a continuous participant with and financial supporter of the Delaware Health Information Network (DHIN) since its inception, and they submit inpatient, emergency, and ambulatory records to the DHIN daily and access care information to support care givers and care coordinators. Beebe Healthcare providers access the DHIN for multiple purposes to include care coordination. In their Population Health Department, Beebe use information from the DHIN to support Care Coordination in their Advance Care Clinic, their C.A.R.E.s Program and for their CMS Medicare Shared Savings Program and CMS Bundle Payment programs. Their Beebe Medical Group providers access the DHIN for information on new and existing patients to get up-to-date records and test results. The Population Health Department operates an Advanced Care Clinic that provides care coordination and follow up care for patients discharged from the hospital or Emergency Department who do not have a primary care physician, or whose physician is unable to see them within seven days of discharge.

The Review Committee agreed the application met criterion I.

Criterion II: The need of the population for the proposed project

The population of Sussex County, and in particular South Eastern Sussex County, has grown significantly in the last 10 years and is expected to continue growing. This growth has put a burden on the current healthcare infrastructure, and planning for future demand is at the core of this proposed expansion. Beebe's primary service is the south eastern portion of Sussex County. The population is projected to grow in this area. Beebe states the elderly population in their primary service area is expected to grow over the next five years. The Review Committee reviewed the

Delaware Population Projections. The population in Sussex County is expected to grow over the next few years.

Incidence and Utilization

While the population in the Primary Service Area has and continues to grow with most of that growth occurring among those 65 years and older, utilization of hospital services is changing. This makes for a dynamic planning environment that requires careful analysis and flexible plans. Average daily census of inpatients at Beebe Healthcare grew 22.3% over three years, from the fiscal year that ended June 2014 to the year that ended June 2017. This rate of growth is unprecedented in Beebe's recent history. The growth was sustained throughout the calendar year, and could not be attributed to seasonal spikes during the flu or summer seasons. Average daily census peaked in fiscal 2017 at 151.3 which strained the hospital. It operates an average of 155 beds. Inpatient census has begun to taper off in the current fiscal year to an average of 141.5, but remains 14.5% higher than in 2014.

The Review Committee discussed the population growth in Sussex County and the demand for access to care. The Review Committee also discussed Beebe lowering their average length of stay for acute care patients and how this contributes to providing improved care coordination.

The Review Committee agreed the application meets criterion II.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the state of Delaware.

The goals of this project include:

- Increasing the number of private rooms available to inpatients served by Beebe Healthcare.
- Meeting the demand for convenient access to care of a population that is growing to the west of Route 1 and south of Lewes.
- Providing for innovative surgical care that is designed purposefully to support extremely efficient operations that are required by insurers and private payers for healthcare.
- Grouping like-patients to enable better implementation of standardized care protocols and processes to improve outcomes and patient experience.

Beebe states there are no feasible less costly alternatives to achieve these goals. After multiple planning scenarios that started in the fall of 2014, Beebe Healthcare has concluded that the best path on this long journey is to not expand capacity for inpatient care at the Medical Center in Lewes. The Medical Center campus is not conveniently located to the population centers that are growing in Beebe's community. It is extremely costly and disruptive to build on their current campus, attaching to current structures. The site includes only 13 acres. There is insufficient space for a project of this size to accommodate construction vehicles and staging areas while also accommodating patients and staff. The small size of the campus, located in-town Lewes, has

limited long term growth potential. And the service area is growing mostly to the west of Route 1 and south of the town where the Medical Center is located.

In addition, Beebe is confident that dis-aggregating elective surgical patients from the Medical Center will allow for exciting innovations in medical care that will support the triple aim of better quality, lower cost, and improved patient experience. This movement towards short-stay surgical care isn't an end game, it's the beginning of a long journey. The construction of the Specialty Surgical Hospital is a first step in this journey that will support surgical patients, and allow for the Medical Center in Lewes to specialize in complex medical care, emergency medicine, trauma, and heart and vascular services, thus achieving similar quality, cost, and experience goals for those patients.

The Review Committee agreed the application meets criterion III.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

The proposed Specialty Surgical Hospital is a product of three-and-a-half years of health services planning by Beebe Healthcare. It is an integrated and innovative strategy to distribute care to key sites throughout the large geographic area served by Beebe. The new hospital will increase convenient access to healthcare consumers; group like-patients together to support efficient, focused care design; and reduce reliance on the high-cost, general acute care hospital as the hub of healthcare services.

The Specialty Surgical Hospital will benefit from the corporate infrastructure and resources that are provided by Beebe Healthcare, including access to capital, human resources, financial management, billing services, facilities, nutritional services, information technology, materials management, quality programming, clinical planning and support.

As part of Beebe Healthcare, the Specialty Surgical Hospital will be part of the ongoing clinical partnerships that Beebe has, including the 52 organizations with which the health system has transfer agreements. These include all the tertiary hospitals in Delaware, Hospital of the University of Pennsylvania, Jefferson University Hospital, Nemours A.I. DuPont Children's Hospital, Children's Hospital of Philadelphia, and many others. Beebe is also a member of eBright Health, a partnership of five health systems in Delaware that are working collaboratively on a variety of initiatives to share learning, standardize care, improve outcomes, and lower cost. These include choosing wisely protocols, developing opioid addiction treatment protocols, and developing a coordinated network with post-acute providers like skilled nursing facilities.

Beebe Healthcare has a large and active medical staff, including primary care physicians who care for patients pre- and post-surgically, as well as the surgeons who would perform procedures in the Specialty Surgical Hospital. Beebe's discharge planning team will coordinate with the surgeons and primary care physicians for post-surgical care. Beebe's Advance Care Clinic will be available to help coordinate care following discharge for those patients who need additional help. Beebe does not anticipate any negative impact on the employment or availability of healthcare services at other providers in the region. The addition of a Specialty Surgical Hospital will provide a convenient, high quality choice for patients who are best served with healthcare services close to the homes where they can recuperate and return to their optimal health.

The Review Committee discussed the conversion of rooms to single occupancy is a standard practice across the health care delivery system.

The Review Committee agreed the application meets criterion IV.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial, management and other necessary resources.

The current and projected demand for short-stay and outpatient surgical care in Beebe's primary service area is sufficient to support construction and operation in the Specialty Surgical Hospital. Population growth and slight growth in market share in the Primary Service Area are assumed in these projections. In the first year of operation, total patient care revenues are projected to be \$43.2 million, with operating expenses of \$36.9 million. A complete statement of Revenues and Expenses can be found in Schedule C, page C-3. This project primarily moves patients who would have been treated at the Medical Center in Lewes, to a more convenient location with private rooms and efficient design and patient flow. Beebe Healthcare does project to serve more surgical patients in this new facility than it currently does at the Medical Center in Lewes.

For the last two fiscal years (ending June 2017 and June 2016) Beebe Healthcare has maintained a 4.9% and 4.2% operating margin, respectively (Attachment D.4 – Beebe Medical Center Inc. CFS 17-16). It is the positive operations, experienced management team, strong market performance in the Primary Service Area, and the projected growth of the population, that will support Beebe's strategy to issue a tax exempt bond in mid-2018 to borrow the capital needed for this project. In 2016, Beebe Healthcare engaged with Ponder & Co. to complete a feasibility study which concluded that Beebe would be able to borrow capital through a tax exempt bond issuance without jeopardizing its bond rating. Beebe Healthcare raised its long-term bond rating to BBB with a stable outlook from BBB- (Standard & Poors) in September 2017.

The Review Committee agreed the application meets criterion V.

Criterion VI: The anticipated effect of the proposal on the costs of and charges for health care.

The application for the proposed project includes the following projected costs during its first full year of operations:

Financial Impact (first full year of operations)

Estimated effect on annual expenses:	\$ 36,969,100
Estimated effect on annual revenue:	\$ 43,251,000
Estimated effect on individual charges:	\$ 0

The Review Committee reviewed the Schedule 4 Statement of Revenue and Expenses provided in the application.

Beebe Healthcare does not anticipate any direct impact on the individual charges or costs to insurers or payers for the patient care delivered at the proposed Specialty Surgical Hospital. The purpose-designed space will be efficient to operate because of its focus on elective surgical patients both inpatient and outpatient. The new design and construction will also be more efficient on energy consumption than the older infrastructure at the Medical Center in Lewes. Beebe is actively

committed to value-based care initiatives that are focused on the triple aim of improving care, care experiences, and lowering total costs. Beebe Healthcare has participated in the Medicare Shared Savings Program since 2014, and the Bundled Payment for Care Improvement program since 2015. In addition, the organization has been an active participant in the Delaware Center for Health Innovation, with team members serving on several committees. These initiatives ensure that Beebe's culture and their processes do not incentivize overutilization of healthcare services.

It was stated that Beebe submitted supplementary information in regards to the CPR application due to questions that were asked by the Board on their previous CPR applications. The supplementary information included clarification of the indigent care and uncollectible dollar amounts on Schedule 4 in the application. It also included additional information regarding the projected revenue, expenses and their recruitment strategy for the new surgical hospital.

The Review Committee agreed the application met criterion VI.

Criterion VII: The anticipated effect of the proposal on the quality of health care.

The proposed Specialty Surgical Hospital will impact quality and patient experience on a variety of measures:

- Standardized operating room and patient room design will enable consistent work flow for physicians and nurses, reducing variation in physical layout that can undermine consistent application of protocols and workflow.
- Adequate patient room size will support bedside care while also including family and caregivers who are important for patient engagement and healing.
- The all-private-room model will protect patient privacy, improve patient satisfaction with their experience, and reduce risk of infection inherent in dual occupancy rooms.
- The focus on scheduled surgical patients will enable teams to hone standardized protocols for these patients, lowering infection risks, improving recovery times, reducing length of stay, expediting discharge processes, and enhancing patient experience.

Moving scheduled surgical patients to the new Specialty Surgical Hospital will allow the teams at the Medical Center in Lewes to focus on standardized protocols for those unique patients, supporting management of length of stay, improving discharge for medically complex patients, allocating resources to high risk patients in the ICU, and addressing the needs of emergency patients. Services at the Specialty Surgical Hospital will be available to all members of the community. Joint Commission on Accreditation of Health Care Organizations (JCAHO) accredits Beebe Healthcare. The proposed Specialty Surgical Hospital will be reviewed and accredited by JCAHO, ensuring all clinical processes, facilities, equipment, and staffing meet Joint Commissions standards. The proposed Specialty Surgical Hospital will be the home of the Center for Robotic Surgery supported by the da Vinci Xi Robotic Surgery System. Robotic surgery has been demonstrated to reduce complication and infection rates, shorten length of stay and recovery time, and reduce readmissions.

The Review Committee discussed Beebe's strategy for reducing the risk of infection and agreed this contributes to a positive outcome on the quality of healthcare.

The Review Committee agreed the application met criterion VII.

Other Review Criteria

Will the project offer economies and improvements in the delivery of the service? Please describe.

The integrated design process is centered on operational and process improvement. The opportunity to construct a new building on a green-field site allows the planning to provide efficient and flexible design to both flow of patients and staff. The plan will provide a reduction of travel times for work- and patient-flow, and improved use of technology for communication (i.e., electronic medical record and patient tracking). Adjacencies and appropriate sizing of support services will also improve the delivery of services. Using LEAN concepts, the staffing and building services will be optimized.

Will this project enhance the efficiency with which the health care needs of the user population are being met?

With an improved layout, reduced workflow travel distances, technology support and state of the art building mechanical and electrical services will reduce operational cost in respect to clinical and support staffing, energy efficiency through improved systems, LED lighting, sustainable materials and plant maintenance protocols.

Does the Applicant intend to employ energy conservation principles in the design or other aspects of construction?

Beebe is mindful of its energy footprint and has directed the project team to employ numerous design features to support energy conservation. These methods include:

- High efficiency hot water condensing boilers and hot water heaters
- Low-E glass and high-performance window systems (to mitigate heat loss and gain)
- Thermal insulation on walls and roofs
- Low voltage lighting systems to conserve electricity
- Insulation systems on ductwork and hot water piping systems to mitigate heat loss
- HVAC systems employing economizer cycles that reduce the consumption of electricity
- Low-flow water fixtures (like toilets, urinals and shower heads) to reduce water consumption.

Will the proposed construction eliminate any architectural barriers to the handicapped?

By the very nature of its purpose, new medical facilities strive to eliminate all barriers to accessibility. To that end, the project is required to follow ADA Architectural Guidelines (ADAAG), ICC/ANSI A117.1, 2009, which is the prevailing code to barrier-free design and stipulates the basis of design to mitigate barriers. This overarching Code will ensure that barriers

to accessibility are not “built in”. In addition, barrier free access begins at the entry to the site, with properly designed parking lots (including sloped and cross-sloped pavement, accessible parking spaces for cars and vans, walkways to the building and curb cuts or depressed curbing to allow for proper access. In addition, all facilities are being designed with wheelchair storage located immediately inside the buildings so that those requiring temporary use of a wheel chair will have ready access to one.

Action

Based upon the foregoing findings, the Review Committee hereby recommends approval of the CPR application submitted by Beebe to construct a Specialty Surgical Hospital in Rehoboth Beach DE.

Next Steps

The Review Committee will provide their recommendation of approval to the Board at the November 2018 HRB meeting.

Adjourn

The meeting adjourned at 1:53 p.m.

Guests Attended

Marc

Beebe Healthcare